

SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT

BASIC FINANCIAL STATEMENTS

December 31, 2005

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WISAN, SMITH, RACKER & PRESCOTT, LLP
C E R T I F I E D P U B L I C A C C O U N T A N T S

INDEPENDENT AUDITORS' REPORT

**To the Board of Trustees
South Salt Lake Valley Mosquito Abatement District**

We have audited the accompanying basic financial statements of the governmental activities and each major fund of South Salt Lake Valley Mosquito Abatement District (the District) as of December 31, 2005, and for the year then ended, listed in the foregoing table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of South Salt Lake Valley Mosquito Abatement District as of December 31, 2005 and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2006, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Wisan Smith Racker & Prescott, LLP

Salt Lake City, Utah
May 12, 2006

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SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT

Management's Discussion and Analysis

(Unaudited)

As management of the South Salt Lake Valley Mosquito Abatement District (District), we offer readers of the South Salt Lake Valley Mosquito Abatement District's financial statements this narrative overview and analysis of the financial activities of the South Salt Lake Valley Mosquito Abatement District for the fiscal year ending December 31, 2005.

Financial Highlights

- The assets of the South Salt Lake Valley Mosquito Abatement District exceeded its liabilities at the close of the most recent fiscal year by \$1,987,078. Of this amount, \$1,080,609 may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$421,004. The increase is attributable to the new growth and increased property value in the district.
- As of the close of the current fiscal year, the South Salt Lake Valley Mosquito Abatement District's governmental funds reported combined ending fund balances of \$1,062,099, an increase of \$242,494 in comparison with the prior year. Approximately 91 percent of this total amount, \$964,852, is available for spending at the government's discretion.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$964,852, or 139 percent of total general fund expenditures.
- The South Salt Lake Valley Mosquito Abatement District's total debt decreased by \$160,000 during the current fiscal year. The decrease was attributable to the additional principal payments to retire the building note early.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the South Salt Lake Valley Mosquito Abatement District's basic financial statements and comprises three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements – The *government-wide financial statements* are designed to provide readers with a broad overview of the South Salt Lake Valley Mosquito Abatement District's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the South Salt Lake Valley Mosquito Abatement District's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as an indicator of whether the financial position of the South Salt Lake Valley Mosquito Abatement District is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation, sick and comp leave).

SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT

Management's Discussion and Analysis

(Unaudited)

Both of the government-wide financial statements distinguish functions of the South Salt Lake Valley Mosquito Abatement District that are principally supported by taxes and intergovernmental revenues. All of the South Salt Lake Valley Mosquito Abatement District's basic services are considered to be governmental activities, including public safety and interest on long-term debt.

The government-wide financial statements can be found on pages 12-13 of this report.

Fund Financial Statements – A *fund* is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The South Salt Lake Valley Mosquito Abatement District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the South Salt Lake Valley Mosquito Abatement District are governmental funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *government activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The South Salt Lake Valley Mosquito Abatement District maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the general fund, capital project fund, and the debt service fund, all of which are considered to be major funds.

The South Salt Lake Valley Mosquito Abatement District adopts an annual appropriated budget for its general fund and capital project fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 14-17 of this report.

SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT

Management's Discussion and Analysis

(Unaudited)

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 18-27 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the South Salt Lake Valley Mosquito Abatement District budgetary compliance. Required supplementary information can be found on pages 28-29 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the South Salt Lake Valley Mosquito Abatement District, assets exceeded liabilities by \$1,987,078 at the close of the most recent fiscal year.

Less than half of the South Salt Lake Valley Mosquito Abatement District's net assets (46 percent) reflect its investment in capital (e.g. land, buildings, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The South Salt Lake Valley Mosquito Abatement District uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the South Salt Lake Valley Mosquito Abatement District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

South Salt Lake Valley Mosquito Abatement District's Net Assets

	<u>Governmental Activities</u>	
	2005	2004
Current and other assets	\$ 1,098,412	\$ 872,818
Capital assets	1,176,678	1,158,168
Total assets	2,275,090	2,030,986
Long-term liabilities outstanding	215,059	358,777
Other liabilities	72,953	106,135
Total liabilities	288,012	464,912
Net assets:		
Invested in capital assets, net of related debt	906,469	1,158,168
Unrestricted	1,080,609	407,906
Total net assets	\$ 1,987,078	\$ 1,566,074

The *unrestricted net assets* (\$1,080,609) may be used to meet the government's ongoing obligation to citizens and creditors.

SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT

Management's Discussion and Analysis

(Unaudited)

At the end of the current fiscal year, the South Salt Lake Valley Mosquito Abatement District is able to report positive balances in both categories of net assets. The same situation held true for the prior fiscal year.

Governmental activities. The District's net assets increased by \$421,004 during the current fiscal year. The increase is attributable to the new growth and increased property value within the district along with the sale of capital assets and the award of a small grant.

The key elements of this increase are as follows:

South Salt Lake Valley Mosquito Abatement District's Change in Net Assets

	Governmental Activities	
	2005	2004
Revenues:		
Program Revenues		
Operating grants and contributions	\$ 431	\$ -
General revenues:		
Property taxes	1,057,884	1,042,781
Motor Vehicles fee in-lieu	109,038	109,640
Investment earnings	17,117	5,749
Other	10,628	5,200
Total revenues	1,195,098	1,163,370
Expenses:		
Public safety	756,694	637,423
Interest on long-term debt	17,400	18,963
Total expenses	774,094	656,386
Increase in net assets	421,004	506,984
Net assets beginning January 1	1,566,074	1,059,090
Net assets ending December 31	\$ 1,987,078	\$ 1,556,074

- Property taxes revenue increased by \$14,501 (1 percent) during the year. Most of this increase is the product of increasing property values and new growth within the district
- Operating grants for governmental activities increased by \$431. The increase is due to South Salt Lake Valley Mosquito Abatement District receiving a small grant from ULGT for safety equipment.

For the most part, increases in expenses closely paralleled inflation and growth in the demand for services.

Financial Analysis of the Governmental Funds

As noted earlier, the South Salt Lake Valley Mosquito Abatement District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT

Management's Discussion and Analysis

(Unaudited)

Governmental Funds. The focus of the South Salt Lake Valley Mosquito Abatement District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the South Salt Lake Valley Mosquito Abatement District's financing requirements. In particular, *unreserved fund balances* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the South Salt Lake Valley Mosquito Abatement District's governmental funds reported combined end fund balances of \$1,062,099, an increase of \$242,494, in comparison with the prior year. Approximately 91 percent (\$964,852) constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to purchase capital assets in the future.

The general fund is the chief operating fund of the South Salt Lake Valley Mosquito Abatement District. At the end of the current fiscal year, the unreserved fund balance of the general fund was \$964,862. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 139% of total general fund expenditures.

The fund balance of the District's general fund increased by \$239,337 during the current fiscal year. Key factors of this growth are as follows:

- An increase in property tax revenue due to new growth and an increase in property value (\$14,501).
- An increase in interest earned on fund accounts (\$10,007).
- The sales of capital fixed assets (\$12,500).
- Keeping our expenditures low to create a reserve for future needs.

The debt service fund has a total fund balance of zero. The South Salt Lake Valley Mosquito Abatement District paid the amount of \$160,000 on the building note principal. This is in keeping with the intent of the South Salt Lake Valley Mosquito Abatement District to retire the building note early.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget can be briefly summarized as follows:

- \$51,000 in increases allocated to additional staffing and two long term employees retirement pay-off
- \$10,575 in increase allocated to the increased cost of gas, travel expense along with the unanticipated repair to a fleet vehicle (mainly the result of unexpected road damage associated with an auto accident.).
- \$10,840 in miscellaneous increases in general government activities allocated to operations

SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT

Management's Discussion and Analysis

(Unaudited)

During the year South Salt Lake Valley Mosquito Abatement District received unexpected property tax revenues. These revenues made up the difference in the overages in the original budget and the amended budget.

Capital Assets and Debt Administration

Capital Assets. The South Salt Lake Valley Mosquito Abatement District investment in capital assets for its governmental activities as of December 31, 2005, amounts to \$1,176,678 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, and fleet vehicles. The total increase in the South Salt Lake Valley Mosquito Abatement District's investment in capital assets for the current fiscal year was 2%.

Major capital assets events during the current fiscal year included the following:

- Purchase of new truck.
- Various building and system additions and improvements were completed at the district headquarters.

South Salt Lake Valley Mosquito Abatement District's Capital Assets (net of depreciation)

	<u>Governmental Activities</u>	
	2005	2004
Land	\$ 329,550	\$ 329,550
Building & Improvements	731,244	702,147
Office & Computer Equipment	17,288	20,744
Vehicles	68,485	68,447
Equipment	30,111	37,280
Total	\$ 1,176,678	\$ 1,158,168

Additional information on the South Salt Lake Valley Mosquito Abatement District capital assets can be found in note four on page 25 of this report.

Long-term debt. At the end of the current fiscal year, the South Salt Lake Valley Mosquito Abatement District had a note payable outstanding of \$251,699, compared to \$411,699 in 2004. Of this amount, \$36,640 will be due in the next calendar year. At the end of 2005, the District had debt service principle retirement equaling \$160,000 along with \$17,400 in interest and fiscal charges.

SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT

Management's Discussion and Analysis

(Unaudited)

The South Salt Lake Valley Mosquito Abatement District total debt decreased by \$160,000 during the current fiscal year. The South Salt Lake Valley Mosquito Abatement District's intent is to retire this debt early by making additional principal payments.

Economic Factors and Next Year's Budget and Rates

- Increased population and housing developments create an increase demand on services.
- The property value and new developments create additional taxes that will be used to meet increasing demands.
- The unpredictability of the West Nile Virus and its influence on the community creates an additional demand for services, along with increasing reporting of mosquito problems. In order for South Salt Lake Valley Mosquito Abatement District to handle the increasing demand quickly and efficiently, additional equipment and staff will be needed to cope with the growing demands.
- The use of unspent revenue carried over from previous fund year balance (\$211,845) helps avoid the need to raise taxes.
- Increased cost of insecticides (\$55,000) due to increase demand.
- Increase in full time staff wages (\$70,000) is based on two factors. One – an additional full time person was hired. Two - a 5.3% wage increase for employees that had worked a full year as of December 2005. For employees that worked less than a full year, the increase was prorated based on the number of months worked.
- Increase in medical insurance (\$33,000) due to projected 22% increase in premiums and an additional employee's insurance.
- Increase in full time staff employee retirement and 401k benefits (\$9,000) due to increase in staff.
- Increase in vehicle maintenance cost (\$13,000) to cover the cost of inflation and increase in an additional vehicle to the fleet.
- Increase in a new budget line item for dedicated reserve to cover the cost of future needs (\$61,500).
- Increase in travel expense, conference and registration. Increase due to additional staff and board members registration and attending conferences and inflation.
- Inflationary trends in the district compare favorably to regional indices.
- Decrease in part-time staff wages (\$10,000) due to an over-estimate in the 2005 budget. However, total number of seasonal employees will increase by three. Also, a few of the experienced workers will not be returning for the 2006 season. New seasonal employees start at a lower wage.
- Decrease in inventory adjustment (\$15,000) due to no longer needing this expense category.
- Decrease in accounting cost (\$2,000) due to re-bidding audit contract.
- It is the intent of South Salt Lake Valley Mosquito Abatement District to pay full bank note for the building in full this year and retire the note early.

SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT
Management's Discussion and Analysis
(Unaudited)

All of these factors were considered in preparing the South Salt Lake Valley Mosquito Abatement District budget for the 2006 fiscal year.

During the current fiscal year, unreserved fund balance in the general fund increased to \$964,852. The South Salt Lake Valley Mosquito Abatement District has appropriated \$211,845 of this amount for spending in the 2006 fiscal year budget. It is intended that this use of available fund balance will avoid the need to raise taxes during the 2006 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the South Salt Lake Valley Mosquito Abatement District's finances for those with an interest in the government's finances. Questions or requests for additional information should be addressed to South Salt Lake Valley Mosquito Abatement District, Attn: Val Bowlden, 8682 South Sandy Parkway, Sandy, Utah 84070

SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT
STATEMENT OF NET ASSETS
December 31, 2005

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 63,924
Public Treasurer's Investment Fund	1,012,193
Property taxes receivable	2,284
Other receivables	800
Prepaid expenses	19,211
Capital assets, net of depreciation	<u>1,176,678</u>
TOTAL ASSETS	<u>2,275,090</u>
LIABILITIES	
Accounts payable	9,130
Accrued liabilities	11,423
Accrued compensated absences	15,760
Noncurrent liabilities	
Due within one year	36,640
Due in more than one year	<u>215,059</u>
TOTAL LIABILITIES	<u>288,012</u>
NET ASSETS	
Invested in capital assets, net of related debt	906,469
Unrestricted	<u>1,080,609</u>
TOTAL NET ASSETS	<u>\$ 1,987,078</u>

SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT
STATEMENT OF ACTIVITIES
Year ended December 31, 2005

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue & Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Public safety and health	\$ 756,694	\$ -	\$ 431	\$ -	\$ (756,263)
Interest on long-term debt	<u>17,400</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,400)</u>
Total governmental activities	<u>\$ 774,094</u>	<u>\$ -</u>	<u>431</u>	<u>\$ -</u>	<u>\$ (773,663)</u>
General Revenues:					
Property taxes					1,057,884
Motor vehicle in-lieu-of fees					109,038
Unrestricted investment earnings					17,117
Miscellaneous					685
Gain on disposal of capital assets					<u>9,943</u>
Total general revenues					<u>1,194,667</u>
Change in net assets					421,004
Net assets - beginning					<u>1,566,074</u>
Net assets - ending					<u>\$ 1,987,078</u>

**SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2005**

	MAJOR FUNDS			TOTALS
	General Fund	Capital Projects	Debt Service	2005
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 63,924	\$ -	\$ -	\$ 63,924
Public Treasurer's Investment Fund	914,946	97,247	-	1,012,193
Accounts receivable	800	-	-	800
Taxes receivable	2,284	-	-	2,284
Prepaid expense	19,211	-	-	19,211
TOTAL CURRENT ASSETS	<u>1,001,165</u>	<u>97,247</u>	<u>-</u>	<u>1,098,412</u>
TOTAL ASSETS	<u>\$ 1,001,165</u>	<u>\$ 97,247</u>	<u>\$ -</u>	<u>\$ 1,098,412</u>
LIABILITIES AND FUND BALANCES				
CURRENT LIABILITIES				
Accounts payable	\$ 9,130	\$ -	\$ -	\$ 9,130
Accrued expenses	11,423	-	-	11,423
Accrued compensated absences	15,760	-	-	15,760
TOTAL CURRENT LIABILITIES	<u>36,313</u>	<u>-</u>	<u>-</u>	<u>36,313</u>
TOTAL LIABILITIES	36,313	-	-	36,313
FUND BALANCES				
Reserved for:				
Capital outlay	-	97,247	-	97,247
Unreserved	964,852	-	-	964,852
TOTAL FUND BALANCES	<u>964,852</u>	<u>97,247</u>	<u>-</u>	<u>1,062,099</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,001,165</u>	<u>\$ 97,247</u>	<u>\$ -</u>	<u>\$ 1,098,412</u>

**SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET ASSETS
December 31, 2005**

Total Fund Balances - Governmental Funds \$ 1,062,099

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet. Capital assets consist of the following:

Equipment	\$ 1,439,137	
Accumulated depreciation	<u>(262,459)</u>	1,176,678

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

(251,699)

Net Assets of Governmental Activities \$ 1,987,078

**SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES
GOVERNMENTAL FUNDS
Year ended December 31, 2005**

	MAJOR FUNDS			TOTALS
	General Fund	Capital Projects	Debt Service	2005
REVENUES				
Taxes	\$ 1,166,922	\$ -	\$ -	\$ 1,166,922
Grants	431	-	-	431
Interest income	13,959	3,157	-	17,116
Other income	685	-	-	685
TOTAL REVENUES	<u>1,181,997</u>	<u>3,157</u>	<u>-</u>	<u>1,185,154</u>
EXPENDITURES				
Current:				
Salaries and benefits	443,873	-	-	443,873
Operations	219,121	-	-	219,121
General and administrative	32,244	-	-	32,244
Capital outlay	-	82,522	-	82,522
Debt service:				
Principal	-	-	160,000	160,000
Interest and fiscal charges	-	-	17,400	17,400
TOTAL EXPENDITURES	<u>695,238</u>	<u>82,522</u>	<u>177,400</u>	<u>955,160</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	486,759	(79,365)	(177,400)	229,994
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	12,500	-	-	12,500
Transfers in	-	82,522	177,400	259,922
Transfers out	(259,922)	-	-	(259,922)
Total other financing sources (uses)	<u>(247,422)</u>	<u>82,522</u>	<u>177,400</u>	<u>12,500</u>
Net change in fund balance	239,337	3,157	-	242,494
Fund balance at beginning of year	<u>725,515</u>	<u>94,090</u>	<u>-</u>	<u>819,605</u>
Fund balance at end of year	<u>\$ 964,852</u>	<u>\$ 97,247</u>	<u>\$ -</u>	<u>\$ 1,062,099</u>

**SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended December 31, 2005**

Net Change in Fund Balances - Total Governmental Funds \$ 242,494

Amounts reported for governmental activities in the statement of activities
are different because:

Capital outlays are reported as expenditures in governmental
funds. However, in the statement of activities, the cost of
capital assets is allocated over their estimated useful lives as
depreciation expense. In the current year, these amounts
were as follows:

Capital outlay	\$ 82,522	
Loss on disposal of capital assets	(2,556)	
Depreciation expense	<u>(61,456)</u>	18,510

The issuance of long-term debt provides current financial
resources to governmental funds, while the repayment of the
principal of long-term debt consumes the current financial
resources of governmental funds. Neither transaction, however,
has an effect on net assets. This amount is the net effect of these
differences in the treatment of long-term debt and related items.

Repayment of principal on long-term debt	<u>160,000</u>
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Change in Net Assets of Governmental Activities	<u>\$ 421,004</u>
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SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

South Salt Lake Valley Mosquito Abatement District (the District) was formed June 7, 1952. The special district was organized to provide health and mosquito abatement services to its constituent jurisdictions. The District is a separate legal entity, with a fifteen member board, one of which is appointed by Salt Lake County and fourteen of which are appointed by member cities. Constituents include Salt Lake County and the cities of Bluffdale, Cottonwood Heights, Draper, Herriman, Holladay, Midvale, Murray, Riverton, Sandy, South Jordan, South Salt Lake, Taylorsville, West Jordan and West Valley. Board members serve for a specified term and cannot be removed without cause. However, as the members are unable to impose their will and are not financially accountable for the District, the District is not reported as a component unit of the members.

Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific program. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Other items not properly included among program revenues are reported as general revenues. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within ninety days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

*Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(continued)*

Grants associated with the current fiscal period are all considered susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when the District receives cash.

Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The District only uses governmental funds.

Governmental Funds

Governmental funds are those through which most of the governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance.

The District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. A statement is presented for governmental activities. This statement presents each major fund as a separate column of the fund financial statements. The District has three major funds.

The District has presented the following major governmental funds:

- *General Fund* – the general fund is the main operating fund of the District, used for all financial resources not accounted for in other funds. All general revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund.
- *Capital Projects Fund* – the capital projects fund is used to account for capital asset acquisitions.
- *Debt Service Fund* – the debt service fund accounts for resources accumulated and payments made for principal and interest on the District's loan for the office/warehouse building.

SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

Cash equivalents are highly liquid investments with maturities of three months or less when purchased. The Public Treasurer's Investment Fund has been shown separately for convenience of presentation.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management does not expect any uncollectible amounts as all payments are from governmental entities or under contract.

Capital Assets

Capital assets, which include real property and various types of equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost, if purchased, and at fair market value at the date of gift, if donated.

Major additions are capitalized, while maintenance and repairs which do not improve or extend the life of the respective assets, are charged to expense.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Furniture and equipment	5 – 10 years
Building and building improvements	10 – 40 years

The District does not possess any infrastructure.

Compensated Absences

For governmental funds, amounts of vested or accumulated vacation that are not expected to be liquidated with expendable available resources are reported as liabilities in the government-wide statement of net assets and as expenses in the government-wide statement of activities. Vested or accumulated vacation leave is recorded as an expense and a liability as the benefits accrue to the employees and are thus recorded in both the government-wide financial statements and the individual fund statements. Sick pay amounts are charged to expenditures when incurred. Employees may accumulate sick leave. Accumulated sick leave is paid to employees upon retirement, at a rate of 25% of the total accumulated leave. Employees that are terminated for any reasons other than retirement are not paid for accumulated sick leave.

SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year.

Nonexchange transactions, in which the District receives value without directly giving value in return, include tax revenue and grants. On the accrual basis, revenue from grants is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must be available before it can be recognized.

Expenditure Recognition

In governmental funds, expenditures are generally recorded when the related liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Capital asset acquisitions are reported as expenditures, and proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

When an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the District generally uses restricted resources first, then unrestricted resources.

Net Assets/Fund Balances

The difference between assets and liabilities is reported as net assets on the government-wide and fund balance on the governmental fund statements.

In the governmental fund statements, fund balances are classified as reserved or unreserved. Reserves represent those portions of fund balance that are not available for expenditures or are legally segregated for a specific future use. Unreserved fund balances are available for future appropriation, though some portions may be designated to represent management's tentative plans for specific future uses.

SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The District's net assets are classified as follows:

- Invested in capital assets, net of related debt – This component of net assets consists of the District's total investment in capital assets, net of accumulated depreciation, reduced by the outstanding debt obligations related to those assets. To the extent debt has been incurred, but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.
- Unrestricted – This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations in the fund financial statements, but are generally excluded from the government-wide financial statements. Interfund balances are due to timing differences.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash, cash equivalents and investments consisted of the following at December 31, 2005:

Cash and cash equivalents:	
Cash -- Net of outstanding checks	\$ 63,924
Public Treasurers Investment Fund	<u>1,012,193</u>
 Total cash, cash equivalents, and investments	 <u>\$ 1,076,117</u>

SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

As of December 31, 2005 the District had the following deposits and investments:

<u>Investments</u>	<u>Maturities</u>	<u>Value</u>
Pool cash - Utah Public Treasurer's Investment Fund	57 days average	\$ 1,012,193
<u>Deposits</u>		
Cash deposits - net of outstanding checks	N/A	<u>63,924</u>
 Total cash, cash equivalents and investments held		 <u>\$ 1,076,117</u>

Deposits and Investments

Deposits and investments for local government are governed by the Utah Money Management Act (*Utah Code Annotated*, Title 51, Chapter 7, "the Act") and by rules of the Utah Money Management Council ("the Council"). Following are discussions of the District's exposure to various risks related to its cash management activities.

Custodial credit risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the District's deposits may not be recovered. The District's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the local government to be in a *qualified depository*, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council. As of December 31, 2005, the District's bank balance of \$63,568 were covered by federal depository insurance.

Investments

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The District's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The District is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participants' average daily balances.

SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE 2 - CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments (continued)

For the year ended December 31, 2005, the District had investments of \$1,012,193 with the PTIF. The entire balance had a maturity less than one year. The PTIF pool has not been rated.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by investment mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

NOTE 3 - PROPERTY TAXES

Property taxes attach an enforceable lien on property as of January 1. Taxes are levied and tax notices are sent on November 1. All unpaid taxes are due and become delinquent on November 30.

Property tax revenues are recognized by the District when they are collected by the County. At December 31, 2005, only delinquent taxes were uncollected. The amount of collectible delinquent taxes at December 31, 2005, is not considered significant to the financial statements.

The property taxes receivable consists of the 2005 taxes collected by the County but remitted to the District after December 31, 2005.

SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE 4 - CAPITAL ASSETS

The changes in capital assets for the year ended December 31, 2005 are as follows:

	January 1, 2005	Additions	Disposals	December 31, 2005
Capital assets, not being depreciated:				
Land	\$ 329,550	\$ -	\$ -	\$ 329,550
Capital assets, being depreciated:				
Building and improvements	748,755	49,988	-	798,743
Office and computer equipment	49,722	1,269	-	50,991
Machinery and equipment	67,101	4,150	(8,950)	62,301
Transportation equipment	196,412	27,115	(25,975)	197,552
Total capital assets being depreciated	1,061,990	82,522	(34,925)	1,109,587
Less accumulated depreciation for:				
Building and improvements	(46,608)	(20,891)	-	(67,499)
Office and computer equipment	(28,978)	(4,725)	-	(33,703)
Machinery and equipment	(29,821)	(8,762)	6,393	(32,190)
Transportation equipment	(127,965)	(27,077)	25,975	(129,067)
Total accumulated depreciation	(233,372)	(61,455)	32,368	(262,459)
Total capital assets, net	828,618	21,067	(2,557)	847,128
Total capital assets, net	\$ 1,158,168	\$ 21,067	\$ (2,557)	\$ 1,176,678

Depreciation charged for the year ended December 31, 2005 was \$61,456.

NOTE 5 - RETIREMENT PLANS

Plan Description

The District contributes to the Local Governmental Noncontributory Retirement System (Noncontributory System), which is a cost-sharing multiple-employer defined benefit pension plan (the System or Plan) administered by the Utah Retirement Systems ("URS"). The System provides refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 ("Chapter 49") as amended, which also establishes the Utah State Retirement Office ("Office") for the administration of URS and Plans. Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board ("Board") whose members are appointed by the Governor. URS issues a publicly available financial report that includes financial statements and required supplementary information for URS and Plans. A copy of the report may be obtained by writing to the Utah Retirement System, 540 East 200 South, Salt Lake City, UT 84012 or by calling 1-800-365-8772.

SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE 5 - RETIREMENT PLANS (CONTINUED)

The District offers its full-time employees participation in a defined contribution plan created in accordance with Internal Revenue Code Section 401(k) (the "401(k) Plan"). The 401(k) Plan is administered by URS. Employees may contribute from 1% to 100% of their annual salary up to a maximum of \$14,000 for 2005. The District matches employees' contributions up to 6.22 percent of the covered payroll for public service employees.

Contributions made by employees to the 401(k) Plan were \$16,901 for the year ended December 31, 2005. Contributions made by The District to the 401(k) Plan were \$21,240 for the year ended December 31, 2005.

Funding Policy – The District was required to contribute 11.09 percent of covered salary to the Noncontributory System. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

The District contributions to the Local Government Noncontributory Retirement System for the Year ended December 31, 2005 were \$86,808. The contributions were equal to the required contributions for each year.

NOTE 6 - COMPENSATED ABSENCES

The changes in compensated absences for the year ended December 31, 2005 are as follows:

	January 1, 2005	Increases	(Decreases)	December 31, 2005
Vacation	\$ 17,230	\$ 15,960	\$ (22,843)	\$ 10,347
Sick leave	19,933	2,286	(16,806)	5,413
Total compensated absences	<u>\$ 37,163</u>	<u>\$ 18,246</u>	<u>\$ (39,649)</u>	<u>\$ 15,760</u>

NOTE 7 - LONG-TERM DEBT

On January 14, 2002, the District entered into a lease/purchase agreement for \$1,000,000 with a financial institution to finance the purchase and subsequent remodeling costs of an office/warehouse building used for administrative offices and for the storage of pesticides and equipment. The agreement requires ten annual installment payments at an interest rate of 70 percent of the prime lending rate. The balance of the loan as of December 31, 2005 is \$251,699, after principal payments of \$160,000 in 2005.

SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT
NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE 7 - LONG-TERM DEBT (CONTINUED)

Based on the interest rate of 70 percent of the prime lending rate as of December 31, 2005, (5.08 percent) the annual debt service requirements for long-term debt as of December 31, 2005 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 36,640	\$ 13,617	\$ 50,257
2007	38,591	11,667	50,258
2008	40,684	9,573	50,257
2009	42,891	7,366	50,257
2010	45,218	5,039	50,257
2011-2015	<u>47,675</u>	<u>2,586</u>	<u>50,261</u>
	<u>\$ 251,699</u>	<u>\$ 49,848</u>	<u>\$ 301,547</u>

Under the terms of the agreement, the District owns the property and leases to the financial institution who in turn sub-leases the property back to the District with amounts being netted against each other except for a \$1 balance to be paid by the bank. The lease term is for ten successive annual periods consistent with the payment schedule.

	<u>January 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31, 2005</u>	<u>Current Maturities</u>
Note Payable	\$ 411,699	\$ -	\$ (160,000)	\$ 251,699	\$ 36,640
Total long-term debt	<u>\$ 411,699</u>	<u>\$ -</u>	<u>\$ (160,000)</u>	<u>\$ 251,699</u>	

NOTE 8 - CONTINGENCIES

As of December 31, 2005, the District did not have any pending litigation or potential nondisclosed liabilities.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year ended December 31, 2005

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Favorable
				(Unfavorable)
REVENUES				
Taxes	\$ 986,271	\$ 1,005,255	\$ 1,166,922	\$ 161,667
Grants and donations	-	-	431	431
Interest income	-	-	13,959	13,959
Other income	(25,000)	(22,579)	685	23,264
TOTAL REVENUES	961,271	982,676	1,181,997	199,321
EXPENDITURES				
Salaries and benefits	400,000	438,500	443,873	(5,373)
Operations	206,271	226,075	219,121	6,954
General and administrative	23,000	34,240	32,244	1,996
Capital outlay	-	-	-	-
TOTAL EXPENDITURES	629,271	698,815	695,238	3,577
EXCESS OF REVENUES OVER EXPENDITURES	332,000	283,861	486,759	202,898
OTHER FINANCING SOURCES (USES):				
Sale of capital assets	-	-	12,500	12,500
Transfers in	-	-	-	-
Transfers out	-	-	(259,922)	(259,922)
Total other financing sources (uses)	-	-	(247,422)	(247,422)
Excess of revenues/sources over expenditures/uses	332,000	283,861	239,337	(44,524)
Fund balance at beginning of year	-	-	725,515	725,515
Fund balance at end of year	<u>\$ 332,000</u>	<u>\$ 283,861</u>	<u>\$ 964,852</u>	<u>\$ 680,991</u>

**SOUTH SALT LAKE VALLEY MOSQUITO ABATEMENT DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2005**

NOTE 1 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

South Salt Lake Valley Mosquito Abatement District adopts an "appropriated budget" for the General Fund. The District is required to present the adopted and final amended budgeted revenue and expenditures for this fund.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

- By the regularly scheduled Board meeting in October, the District prepares a budget for the next succeeding year beginning January 1. The operating budget includes proposed expenditures and the means of financing them.
- A meeting of the Board of Trustees is then called for the purpose of adopting the proposed budget after seven days public notice of the meeting has been given.
- Prior to December 31, the budget is legally enacted through a passage of a resolution by the Board of Trustees. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end.
- Each budget is prepared and controlled by the budget coordinator at the revenue expenditure function/object level. Budgeted amounts are as amended by the Board of Trustees.
- The budgets for all funds must be filed with the Utah State Auditor within 30 days of adoption.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

Board of Trustees
South Salt Lake Valley Mosquito Abatement District

We have audited the basic financial statements of the governmental activities and each major fund of South Salt Lake Valley Mosquito Abatement District (the District), as of and for the year ended December 31, 2005, and have issued our report thereon dated May 12, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District, in a separate letter dated May 12, 2006.

This report is intended solely for the information and use of management, and the Utah State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

Salt Lake City, Utah
May 12, 2006

INDEPENDENT AUDITOR'S REPORT ON STATE OF UTAH LEGAL COMPLIANCE

Board of Trustees
South Salt Lake Valley Mosquito Abatement District

We have audited the financial statements of the governmental activities and each major fund of South Salt Lake Valley Mosquito Abatement District (the District), as of and for the year ended December 31, 2005, and have issued our report thereon dated May 12, 2006.

Our audit included testwork on the District's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

- Cash Management
- Purchasing Requirements
- Budgetary Compliance
- Truth in Taxation and Property Tax Limitations
- Special Districts
- Other General Issues

The District did not receive any major or nonmajor State grants during the year ended December 31, 2005.

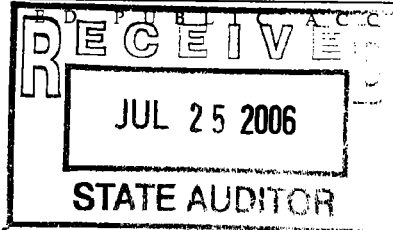
The management of the District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, the District complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2005.

Salt Lake City, Utah
May 12, 2006

SCANNED
Date 7-25-06
Added to FR 2005

May 12, 2006

To the Board of Trustees and Management
South Salt Lake Valley Mosquito Abatement District

In planning and performing our audit of the financial statements of South Salt Lake Valley Mosquito Abatement District (the District) for the year ended December 31, 2005, we considered its internal control structure in determining our auditing procedures. We do this for the purpose of expressing our opinion on the financial statements rather than to provide assurance on the internal control structure. Reportable conditions and reportable instances of noncompliance, if any, are included in our reports dated May 12, 2006, required by the Government Auditing Standards and State of Utah Legal Compliance Audit Guide.

The following are opportunities that should be considered for strengthening District controls and improving accounting procedures:

Finding

Full-time personnel files are not maintained with employees' approved pay rate information. Those pay rates are maintained solely in electronic format.

Recommendation

We recommend that the District maintain hard copy documentation of pay rate changes in personnel files with supervisor approval and employee acknowledgement. This will result in a back-up of payroll information in the case that electronic data is lost.

Response From Management

Although all pay rate changes for full-time personnel are approved by the board and are documented in the minutes to the meeting, we see the need for additional documentation in the personnel files of the full time employees. We will implement the recommendation and update the personnel files to reflect the recommendations.

Finding

We noted that invoices selected for testing were not marked with approval by management.

Recommendation

We recommend that management sign all invoices as documentation of approval. This will result in improved documentation of authorization of disbursements.

MEMBER
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

132 PIERPONT AVENUE, SUITE 250
SALT LAKE CITY, UTAH 84101
FAX (801) 328-2015
(801) 328-2011

MEMBER
UTAH ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

LICENSED TO PRACTICE IN UTAH, WYOMING, NEVADA, NEW MEXICO AND IDAHO



AN INDEPENDENT MEMBER OF BDO SEIDMAN ALLIANCE

Response From Management

Management will initial all invoices to indicate approval.

Finding

There is no written accounting procedures manual available.

Recommendation

In order to establish and strengthen controls over accounting and cash handling procedures, we recommend establishment of written procedures and submitting the document for the Board's approval.

Response From Management

Management will contact the State Auditor's Office to determine if any form of written procedures is presently available. If not, we will establish our own.

Finding

Although two signatures are required for all disbursements, it was noted that the Office Manager is an authorized check signer as well as check preparer. The Office Manager is also responsible for reconciling the bank statements on a monthly basis.

Recommendation

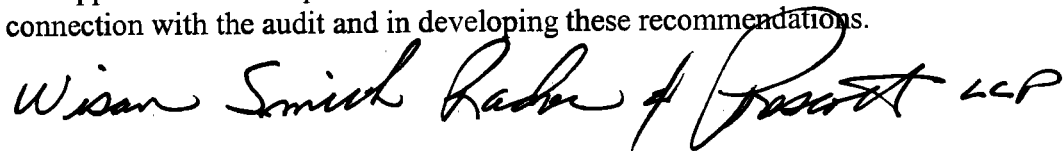
In order to establish and strengthen controls over cash disbursements, we recommend segregating duties of the accounting functions. We suggest limiting authorized check signers to the District Manager and selected Trustees. We also recommend that the bank statements be delivered directly to the District Manager for review prior to preparation of bank reconciliations.

Response From Management

Only the manager and selected trustees will be authorized to sign checks. All bank statements will be reviewed and approved by the manager, then given to the office manager for reconciliation.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing these recommendations.

We appreciate the cooperation and assistance we have received from the District's personnel in connection with the audit and in developing these recommendations.

A handwritten signature in cursive script, reading "Wisan Smith Racker & Prescott LLP". The signature is written in dark ink and is positioned above the printed name of the firm.

Wisan, Smith, Racker & Prescott, LLP